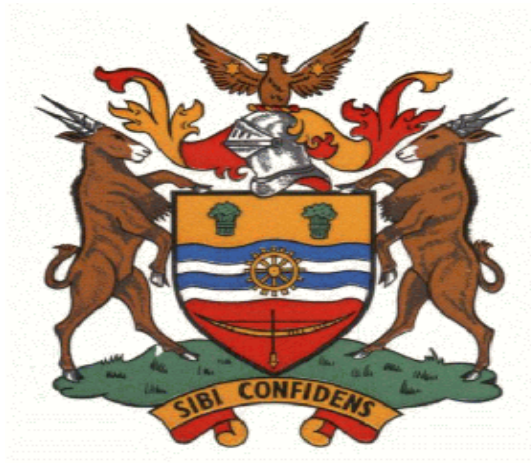


DRAFT ANNUAL BUDGET OF

UMTSHEZI MUNICIPALITY



2014/15 TO 2016/17

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

Copies of this document can be viewed:

- In the foyers of all municipal buildings
- All public libraries within the municipality
 - At www.umtshezi.co.za

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Abbreviations and Acronyms

AMR	Automated Meter Reading	LED	Local Economic Development
ASGISA	Accelerated and Shared Growth Initiative	MEC	Member of the Executive Committee
BPC	Budget Planning Committee	MFMA	Municipal Financial Management Act Programme
CBD	Central Business District	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MMC	Member of Mayoral Committee
CM	Municipality Manager	MPRA	Municipal Properties Rates Act
CPI	Consumer Price Index	MSA	Municipal Systems Act
CRRF	Capital Replacement Reserve Fund	MTEF	Medium-term Expenditure Framework
DBSA	Development Bank of South Africa	MTREF	Medium-term Revenue and Expenditure Framework
DoRA	Division of Revenue Act	NERSA	National Electricity Regulator South Africa
DWA	Department of Water Affairs	NGO	Non-Governmental organisations
EE	Employment Equity	NKPIs	National Key Performance Indicators
EEDSM	Energy Efficiency Demand Side Management	OHS	Occupational Health and Safety
EM	Executive Mayor	OP	Operational Plan
FBS	Free basic services	PBO	Public Benefit Organisations
GAMAP	Generally Accepted Municipal Accounting Practice	PHC	Provincial Health Care
GDP	Gross domestic product	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		
l	litre		

Part 1 – Annual Budget

1.1 Mayor's Report

Over the past four and a half years government has steered the country through the worst global recession in 70 years and that the South African economy is projected to grow by 2.1 per cent in 2013 while the GDP growth is expected to reach 3.5 per cent by 2016. Consequently, municipal revenues and cash flows are expected to remain under pressure in 2014/15 and so the municipality must adopt a conservative approach when projecting their expected revenues and cash receipts.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the uMtshezi Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2014/2015 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The objective of the budget formats reform is to:

1. Ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
2. Improve the local governments spheres' ability to deliver basic services to all by-
 - addressing issues of financial sustainability, and
 - facilitating informed policy choices and medium term planning of service delivery by requiring targets to be aligned to achieve backlog elimination.

The draft 2014/15 MTREF has been prepared using realistically anticipated estimates and are guided by the guidelines as per the National Treasury budget circulars. The main aim of the budget is SERVICE DELIVERY. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the draft budget is as follows:

Total operating income – R311,783,000

Total Operating expenditure – R341,755,000

Operating Deficit – R29,972,000

Capital Transfers – R50,259,000

Surplus after capital transfers – R20,287,000

Capital budget – R67 725 000

The capital budget would be financed from capital grants received from the Municipal Infrastructure Grant, Neighbourhood Development Grant, INEP, External loans and council funding.

The operating budget is extremely constrained and focuses on service delivery. The reason for this, is the limiting income realistically anticipated.

HIS WORSHIP THE MAYOR

COUNCILLOR B.D DLAMINI

1.2 Council Resolutions

On the 27th of March 2014 the Council of Umtshezi Municipality Local Municipality will meet in the Council Chambers to consider the approval of the draft annual budget of the municipality for the financial year 2014/15. It is recommended that the Council approve and adopt the following resolutions:

1. The Council of Umtshezi Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:
 - 1.1. The draft annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Umtshezi Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves:
 - 2.1. the draft tariffs – as set out in Annexure A,
 - 2.2. the draft tariffs for electricity – as set out in Annexure A
 - 2.3. the draft tariffs for solid waste services – as set out in Annexure A
3. The Council of Umtshezi Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves the draft tariffs for other services, as set out in Annexures A.
4. To give proper effect to the municipality's annual budget, the Council of Umtshezi Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

S21 of the Municipal Finance Management Act deals with Municipal Budgets and describes the entire budgeting process. The Mayor is tasked with co-ordinating the processes for preparing the budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Accounting Officer, as per S68 of the MFMA, is required to assist the Mayor in developing and implementing the budgetary process.

When drafting this budget, consideration was given to Section 18 of the MFMA which states that:

"An annual budget may only be funded from-

- a) realistically anticipated revenues to be collected;
 - b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - c) borrowed funds, but only for the capital budget referred to in section 17(2)
- (2) Revenue projections in the budget must be realistic, taking into account-
- a) projected revenue for the current year based on collection levels to date; and
 - b) actual revenue collected in previous financial years."

Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done and the best viable solution sought.

In addition to the budget, an amendment to the Municipal Systems Act (MSA) and Chapter 4 of the MFMA require that the Integrated Development Plan (IDP) be adopted at the same time of adopting the budget. The IDP informs the budget and their simultaneous adoption will ensure that the budget is properly aligned to the IDP and ensure that planned projects are credible and that the budgets are realistic and implementable. This budget was drafted in conjunction with the IDP.

The draft annual budget was prepared in accordance to the National Treasury's content and format as contained in circular 66. The two concepts considered were:

- 1) that the budget must be funded according to S18 of the MFMA (as mentioned above), and
- 2) that the budget must be credible.

A credible budget is described as one that:

- Funds only activities consistent with the draft IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality
- Is achievable in terms of agreed service delivery and performance targets
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions
- Does not jeopardize the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

As mentioned above, the budget was also compiled taking into consideration the guidelines outlined in MFMA Municipal Budget Circular No 70 for the 2014/15 financial year.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2014/15 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2013/14 MTREF

R thousand	Adjustments Budget 2013/14	Budget year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Total Operating Revenue	287,854	311,783	336,660	358,996
Total Operating Expenditure	320,973	341,755	365,470	390,867
Surplus / (Deficit)	(33,118)	(29,972)	(28,810)	(31,871)
Total Capital Transfers	41,086	50,259	49,959	55,463
Contributed Assets	-	-	-	-
Surplus / (Deficit) for the year	7,968	20,287	21,149	23,529

Total operating revenue has grown by 8,31 per cent or R23,929 million for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget.

Total operating expenditure for the 2014/15 financial year has been appropriated at R341,755 million and translates into a budgeted deficit (non-cash-flow deficit) of R29,972 million. This non-cash flow deficit is attributed to Depreciation of R37,03million and Provisions of R12,696million. When compared to the 2013/14 Adjustments Budget, operational expenditure has grown by 6.47 per cent in the 2014/15 budget year.

1.4 Operating Revenue Framework

For Umtshezi to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

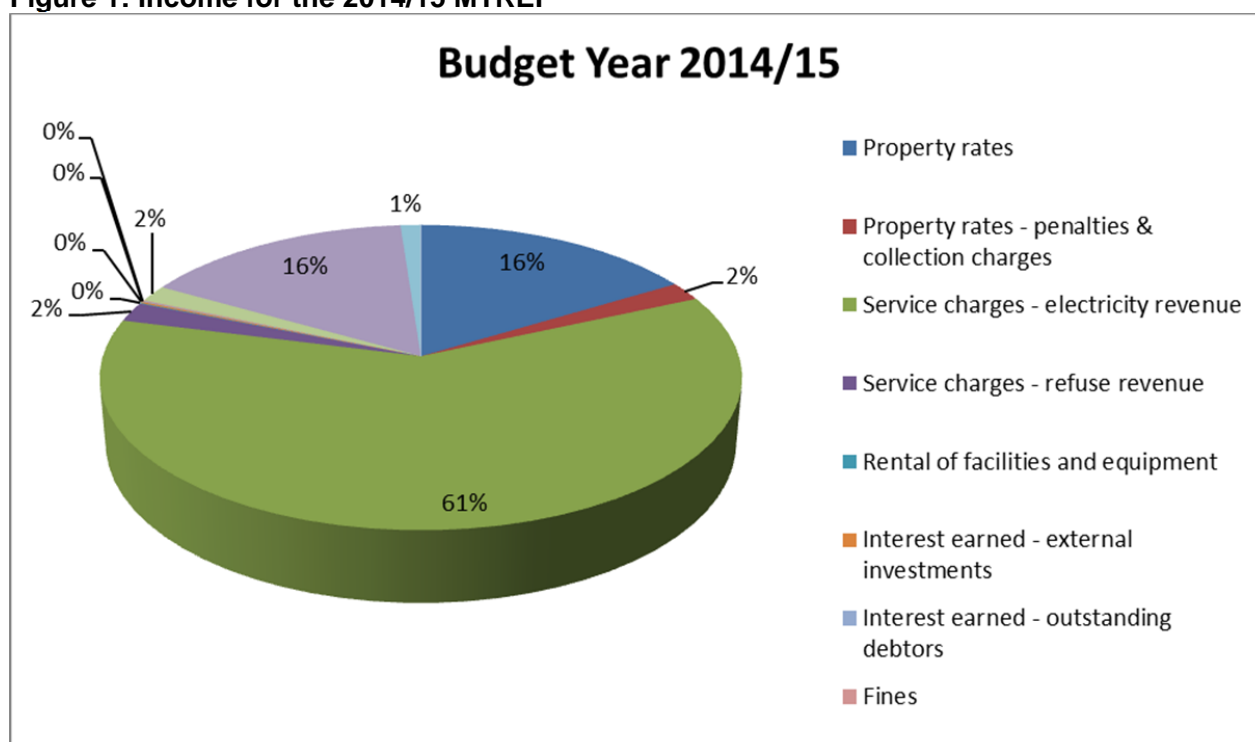
The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 90 per cent annual collection rate for property rates and other key service charges and a 98 per cent collection rate for electricity revenue;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;

- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (A9ct 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Figure 1: Income for the 2014/15 MTREF



Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix.

Electricity revenue is the largest revenue source for the municipality. It comprises 61% of total operating income. It is proposed that the tariffs for electricity increase by 7.39% year on year as approved by NERSA.. The current gross percentage on electricity is slightly below 30% prescribed by NERSA.

Property rates is the second largest revenue source totaling 16 per cent of total operating revenue.. The third largest source of income is income from operational grants that have been gazetted as per the Division of Revenue Act. These operating grants will equal 16% of total operating revenue. The other item contributing to revenue is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, rental of facilities and other sundry income. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R48.740 million in the 2014/15 financial year and steadily increases to R58.69 million by 2015/16. The following table gives a breakdown of the various operating grants and capital subsidies allocated to the municipality over the medium term:

Table 2 Operating and Capital Grant Receipts

DETAILS	2014/15	2015/16	2016/17
R			
CAPITAL GRANTS			
Municipal Infrastructure Grant	17 289 000.00	18 090 000.00	18 721 000.00
INEP	10 000 000.00	10 000 000.00	10 000 000.00
NDPG	1 326 000.00	0.00	0.00
TOTAL CAPITAL GRANTS	28 615 000.00	28 090 000.00	28 721 000.00
OPERATING GRANTS			
Equitable Share	39 294 000.00	49 735 000.00	52 011 000.00
Councillor and Ward Committee Allowance	2 962 000.00	3 074 000.00	
Finance management Grant	1 600 000.00	1 650 000.00	1 700 000.00
Municipal Systems Infrastructure Grant	934 000.00	967 000.00	1 018 000.00
Extended Public Works Programme	1 000 000.00	0.00	0.00
Community Participation in IDP	0.00	300 000.00	0.00
Community Library services	252 000.00	265 000.00	499 000.00
Museum	598 000.00	628 000.00	662 000.00
Provincialisation of libraries	1 950 000.00	2 072 000.00	2 182 000.00
Infrastructure sports facility	150 000	0	0
TOTAL OPERATING GRANTS	48 740 000.00	58 691 000.00	58 072 000.00
ALLOCATIONS IN KIND			
INEP	20 751 000.00	21 524 000.00	26 500 000.00
NDPG	893 000.00	345 000.00	242 000.00
TOTAL CAPITAL FUNDED	21 644 000.00	21 869 000.00	26 742 000.00

Tariffs

The percentage increases of the Eskom bulk electricity tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol

and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

In terms of the Municipal Property Rates Act, property valuations need to be assessed every four to five years for inclusion in the general valuation roll. There have been no major changes to the rates tariffs for 2014/15 due to the fact that the property values in the draft valuation roll have increased by more than 13.52 per cent. The categories of rate-able properties for the purposes of levying rates and the proposed rates for the 2014/15 financial year is contained in the table below.

Table 3 Comparison of proposed rates to be levied for the 2014/15 financial year

RATES RANDAGE

Category	Impermissible	Rebate	Current Year Randage 2013/14	Proposed Randage 2014/15
Residential	30 000	54.075%	0.018895	0.018895
Residential - Hospitality	30 000	54.075%	0.018895	0.018895
Commercial	-	As Per Table	0.03726	0.03726
Agriculture	-	25% (0% - 2014)	0.0025	0.0025
Public Service Infrastructure	-	First 30% non rated	0.002086	0.002086
State Owned	-	-	0.03119	0.03119
Industrial	-	As Per Table	0.03637	0.03637
Public Benefit Organisation Property	-	None	0.002068	0.002068
Recreational Clubs	-	30%	0.0018895	0.018895

REBATES FOR COMMERCIAL PROPERTIES

Value of Property	Rebate
0-1.5 million	35.660%
>1.5 million – 2.5 million	22.065%
>2.5 million – 7.5 million	29.635%
>7.5 million -10 million	27.025%
>10 million	45.121%

REBATES FOR INDUSTRIAL PROPERTIES

VALUE OF PROPERTY	REBATE
0-1 Million	17.286%
>1-2 million	18.234%
>2-5 million	45.405%
>5-36 million	41.470%
>36 million	67.692%

ADDITIONAL RELIEF

USAGE/OWNER	ADDITIONAL REBATE
BED & BREAKFAST	25%
BED& BREAKFAST(NON RESIDENT)	20%
PENSIONER	12.50%

1.4.2 Sale of Electricity and Impact of Tariff Increases

The consumer rate increase is put at 7.39 percent as approved by Nersa. However, it is worth noting that the Eskom increase is at 8,06 per cent, and thus putting pressure on electricity gross margin.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The effect of the inclining block tariffs is that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users. The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those previously implemented by the Municipality. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the outer and inner Municipality reticulation network was designed or strengthened many years ago with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff

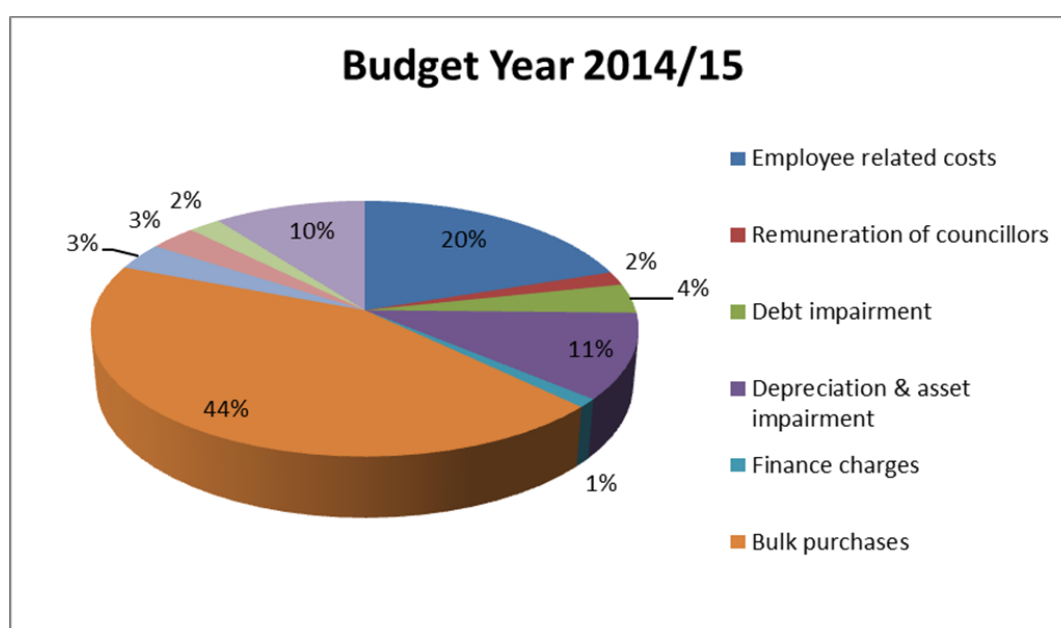
increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets.

1.4.3 Waste Removal and Impact of Tariff Increases

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2014.

1.5 OPERATING EXPENDITURE FRAMEWORK

Figure 2 Main operational expenditure categories for the 2014/15 financial year



1.4.4 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

1.4.5 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 4500 or more indigent households during the 2014/15 financial year, a process reviewed every two years.

The estimates for the 2014/2015 MTREF for free basic services is seen in table 7 under the heading transfers and grants and are estimated to be R8.8million for the 2013/2014 financial year. It is made up of the 50kWh free electricity and a refuse rebates given to indigent consumers as well as a rates rebates (R15,000 threshold).

1.5 Capital expenditure

Capital expenditure for the next three years is funded by capital grants, external loans and council funding. This is due to significant constraints of council funds as highlighted in the sections above and the significant impact that the increase in the bulk electricity tariffs had had on the cashflow of the municipality. The capital grants to be received are highlighted in the executive summary above.

1.5.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been considered and this expenditure has been factored into the two outer years of the operational budget.

	CORPORATE SERVICES ADMINISTRATION	
2005/01/4/01/3050	WASH BAY FOR WORKSHOP	50 000.00
2005/01/4/01/3051	CONCRETE PLALISADE FENCE TO STORES	1 500 000.00
2005/01/4/01/3052	HIGH PRESSURE HOSES X2	15 000.00
2005/01/4/01/3053	12 000BTU OFFICES X6	48 000.00
2005/01/4/01/3054	UPGRADE SEWER LINE CIVIC BUILDINGS	25 000.00
2005/01/4/01/3055	REVAMP LADIES TOILETS (MAIN BUILDING)	15 000.00
2005/01/4/01/3056	LAPTOP & PRINTER	14 000.00
2005/01/4/01/3057	OFFICE DESKS x7	30 000.00
2005/01/4/01/3058	STEEL CUPBOARDS X2	8 000.00
2005/01/4/01/3059	VISITORS CHAIRS FOR FOYER	10 000.00
2005/01/4/01/3060	FRANKING MACHINE	25 000.00
2005/01/4/01/3061	DIGICAM	300 000.00
2005/01/4/01/3062	LED MONITORS X5	5 000.00
2005/01/4/01/3063	STEEL CUPBOARDS X2	5 000.00
2005/01/4/01/3064	SWIVEL & TILT OFFICE CHAIR X1	1 000.00
2005/01/4/01/3065	COMPUTER AND SOFTWARE	10 000.00
2005/01/4/01/3066	SCREWDRIVER SET, PLIERS & LONG NOSE PLIERS	200.00
2005/01/4/01/3067	RE VAMP SERVER ROOM	250 000.00
		2 311 200.00
	COUNCIL EXPENSES	
2005/02/4/01/3100	BOARDROOM TABLE FOR MAYOR	10 000.00
2005/02/4/01/3101	BLINDS FOR MAYORS PARLOUR	20 000.00
2005/02/4/01/3102	LAPTOPS FOR MAYORS PA'S X2	16 000.00

2005/02/4/01/3104	PHOTOCOPY MACHINE AND INTERNET CONNECTION	30 000.00
2005/02/4/01/3105	AIR CONDITIONER FOR MAYORS PARLOUR	100 000.00
2005/02/4/01/3106	CHAIRS FOR MAYORS PARLOUR	30 000.00
2005/02/4/01/3107	MAYORS BOARDROOM TABLE	10 000.00
		<u>216 000.00</u>
2005/03/4/01/0000	PROTECTION SERVICES ADMINISTRATION	
2005/03/4/01/3150	ROAD MARKING MACHINE	60 000.00
2005/03/4/01/3151	4 FIRE ARMS (STUDENTS)	80 000.00
2005/03/4/01/3152	SECURITY GATE FOR PASSAGE	40 000.00
2005/03/4/01/3152	AIRCONDITIONERS X3	36 000.00
2005/03/4/01/3152	WEATHER SHELTER(TRAFFIC)	10 000.00
2005/03/4/01/3152	VEHICLE PIT LIGHTING	2 500.00
2005/03/4/01/3153	CONTAINERS	50 000.00
2005/03/4/01/3154	RECARPETING	15 000.00
2005/03/4/01/3155	PORTABLE GENERATOR	60 000.00
2005/03/4/01/3156	UPGRADE OF VEHICLE POUND FACILITIES	100 000.00
2005/03/4/01/3157	REPLACE CURTAINS	50 000.00
2005/03/4/01/3158	STEEL SHELVING	10 000.00
2005/03/4/01/3159	BULLET PROOF VESTS	30 000.00
		<u>543 500.00</u>
2005/05/4/01/0000	LICENSING & EXAMINING	
2005/05/4/01/3250	12BTU AIRCONDITIONER (EXAMINERS OFFICE)X2	11 000.00
		<u>11 000.00</u>
2005/06/4/01/0000	COMMUNITY HALLS AND OFFICES	
2005/05/4/01/3250	32000BTU TOWN HALL X6	150 000.00
2005/05/4/01/3251	32000BTU FORDERVILLE HALL X5	125 000.00
2005/05/4/01/3252	REVAMP KITCHEN (FORDERVILLE HALL)	15 000.00
2005/05/4/80/3253	TILING (FORDERVILLE HALL)	100 000.00
		<u>390 000.00</u>
2015/01/4/01/0000	FINANCIAL SERVICES ADMINISTRATION	
2015/01/4/01/3300	AIRCONDITIONER (MACHINE ROOM)	8 000.00
2015/01/4/01/3301	BLINDS	5 000.00
2015/01/4/01/3302	DESK AND CHAIRS	100 000.00
2015/01/4/01/3303	PRINTER	8 000.00
		121 000.00
2020/02/4/01/0000	ROADS STREETS & DRAINS	
2020/02/4/01/3400	NEW BELL ENGINE	171 000.00

2020/02/4/01/3401	JACK HAMMER X3	68 400.00
2020/02/4/01/3402	TRAILER FOR SIT ON ROLLER	68 400.00
2020/02/4/01/3403	TRAILER FOR PEDESTRIAL ROLLER	57 000.00
2020/02/4/01/3404	CONCRETE MIXER	114 000.00
2020/02/4/01/3405	CONCRETE CURTER	91 200.00
2020/02/4/01/3406	DESK TOP COMPUTER X3	34 200.00
2020/02/4/01/3407	LAPTOP TOP X2	27 360.00
2020/02/4/01/3408	FAX MACHINE	3 420.00
2020/02/4/01/3409	GENERATOR X3	34 200.00
2020/02/4/01/34010	WASHING MACHINE FOR PLANT & EQUIP X2	45 600.00
2020/02/4/01/3411	DIESEL BOWER WITH HAND PUMP	57 000.00
		771 780.00
2025/02/4/01/0000	PUBLIC HEALTH ADMINISTRATION	
2025/02/4/01/4000	YOUTH CENTER	100 000.00
2025/02/4/01/4001	SEWER AND WATER RETICULATION FOR BULMAM	500 000.00
2025/02/4/01/4002	PAVING FOR THE WEMBEZI MULIPURPOSE	300 000.00
2025/02/4/01/4003	TRANSFER OF GRAIG FARM	800 000.00
2025/02/4/01/4004	FURNITURE & EQUIPMENT	50 000.00
2025/02/4/01/4005	FENCING FOR WEMBEZI FENCING	500 000.00
2025/02/4/01/4006	FENCING- MULTIPURPOSE	2 000 000.00
		4 250 000.00
2025/05/4/01/0000	CEMETERIES	
2025/05/4/01/4150	UPGRADE OF WEMBEZI CEMETRY	1 000 000.00
		1 000 000.00
2025/07/4/01/0000	LIBRARIES	
2025/07/4/01/4250	Library capitals	550 000.00
		550 000.00
2030/02/4/01/0000	ELECTRICITY RETICULATION	
2030/02/4/01/5000	CRANE TRUCK PURCHASE 20 TON	800 000.00
2030/02/4/01/5001	WESTERN PART CABLING BULK UPGRADE	1 000 000.00
2030/02/4/01/5002	REPLACE CIRCUIT BRAKERS	363 000.00
2030/02/4/01/5003	11 KV UPGRADE	1 200 000.00
2030/02/4/01/5004	STREET LIGHT	363 000.00
2030/02/4/01/5005	PROTECTION UPGRADE FOR SUBSTATION	363 000.00
2030/02/4/01/5006	REPLACE TRANSFORMER	0.00
2030/02/4/01/5007	UNDERTAKE STREET LIGHTS IMPROVEMENTS	363 000.00
2030/02/4/01/5008	SCADA SYSTEM	250 000.00
2030/02/4/01/5009	SUB STATION 13 UPGRADE	0.00

2030/02/4/01/5010	ELECTRICAL WORKSHOP WAREHOUSE BUILDING	2 000 000.00
2030/02/4/01/5011	PROTECTION UPGRADE FOR SUBSTATION	
2030/02/4/01/5012	TOOLS & EQUIPMENT	400 000.00
2030/02/4/01/5013	UNDER TAKE STREETLIGHT IMPROVEMENTS	200 000.00
2030/02/4/80/0003		
		<u>7 302 000.00</u>
3020/02/4/02/0000	CIVIL SERVICES	
3020/02/4/02/6002	MUNICIPAL INFRASTRUCTURE GRANT	17 289 000.00
		<u>17 289 000.00</u>
3025/02/4/02/0000	PLANNING & ECONOMIC COMM SERVICES	
3025/02/4/02/7001	WEMBEZI UPGRADE (NDPG ROLL OVER)	2 219 000.00
		<u>2 219 000.00</u>
3030/02/4/02/0000	ELECTRICITY RETICULATION	
3030/02/4/02/4001	ELECTRIFICATION PROJECTS (INEP IN KIND)	30 751 000.00
		<u>30 751 000.00</u>
	CORPORATE SERVICES ADMINISTRATION	
2005/01/4/01/3050	WASH BAY FOR WORKSHOP	50 000.00
2005/01/4/01/3051	CONCRETE PLALISADE FENCE TO STORES	1 500 000.00
2005/01/4/01/3052	HIGH PRESSURE HOSES X2	15 000.00
2005/01/4/01/3053	12 000BTU OFFICES X6	48 000.00
2005/01/4/01/3054	UPGRADE SEWER LINE CIVIC BUILDINGS	25 000.00
2005/01/4/01/3055	REVAMP LADIES TOILETS (MAIN BUILDING)	15 000.00
2005/01/4/01/3056	LAPTOP & PRINTER	14 000.00
2005/01/4/01/3057	OFFICE DESKS x7	30 000.00
2005/01/4/01/3058	STEEL CUPBOARDS X2	8 000.00
2005/01/4/01/3059	VISITORS CHAIRS FOR FOYER	10 000.00
2005/01/4/01/3060	FRANKING MACHINE	25 000.00
2005/01/4/01/3061	DIGICAM	300 000.00
2005/01/4/01/3062	LED MONITORS X5	5 000.00
2005/01/4/01/3063	STEEL CUPBOARDS X2	5 000.00
2005/01/4/01/3064	SWIVEL & TILT OFFICE CHAIR X1	1 000.00
2005/01/4/01/3065	COMPUTER AND SOFTWARE	10 000.00
2005/01/4/01/3066	SCREWDRIVER SET,PLIERS & LONG NOSE PLIERS	200.00
2005/01/4/01/3067	RE VAMP SERVER ROOM	250 000.00
		<u>2 311 200.00</u>
	COUNCIL EXPENSES	
2005/02/4/01/3100	BOARDROOM TABLE FOR MAYOR	10 000.00

2005/02/4/01/3101	BLINDS FOR MAYORS PARLOUR	20 000.00
2005/02/4/01/3102	LAPTOPS FOR MAYORS PA'S X2	16 000.00
2005/02/4/01/3104	PHOTOCOPY MACHINE AND INTERNET CONNECTION	30 000.00
2005/02/4/01/3105	AIR CONDITIONER FOR MAYORS PARLOUR	100 000.00
2005/02/4/01/3106	CHAIRS FOR MAYORS PARLOUR	30 000.00
2005/02/4/01/3107	MAYORS BOARDROOM TABLE	10 000.00
		<u>216 000.00</u>
2005/03/4/01/0000	PROTECTION SERVICES ADMINISTRATION	
2005/03/4/01/3150	ROAD MARKING MACHINE	60 000.00
2005/03/4/01/3151	4 FIRE ARMS (STUDENTS)	80 000.00
2005/03/4/01/3152	SECURITY GATE FOR PASSAGE	40 000.00
2005/03/4/01/3152	AIRCONDITIONERS X3	36 000.00
2005/03/4/01/3152	WEATHER SHELTER (TRAFFIC)	10 000.00
2005/03/4/01/3152	VEHICLE PIT LIGHTING	2 500.00
2005/03/4/01/3153	CONTAINERS	50 000.00
2005/03/4/01/3154	RECARPETING	15 000.00
2005/03/4/01/3155	PORTABLE GENERATOR	60 000.00
2005/03/4/01/3156	UPGRADE OF VEHICLE POUND FACILITIES	100 000.00
2005/03/4/01/3157	REPLACE CURTAINS	50 000.00
2005/03/4/01/3158	STEEL SHELVING	10 000.00
2005/03/4/01/3159	BULLET PROOF VESTS	30 000.00
		<u>543 500.00</u>
2005/05/4/01/0000	LICENSING & EXAMINING	
2005/05/4/01/3250	12BTU AIRCONDITIONER (EXAMINERS OFFICE)X2	11 000.00
		<u>11 000.00</u>
2005/06/4/01/0000	COMMUNITY HALLS AND OFFICES	
2005/05/4/01/3250	32000BTU TOWN HALL X6	150 000.00
2005/05/4/01/3251	32000BTU FORDERVILLE HALL X5	125 000.00
2005/05/4/01/3252	REVAMP KITCHEN (FORDERVILLE HALL)	15 000.00
2005/05/4/80/3253	TILING (FORDERVILLE HALL)	100 000.00
		<u>390 000.00</u>
2015/01/4/01/0000	FINANCIAL SERVICES ADMINISTRATION	
2015/01/4/01/3300	AIRCONDITIONER (MACHINE ROOM)	8 000.00
2015/01/4/01/3301	BLINDS	5 000.00
2015/01/4/01/3302	DESK AND CHAIRS	100 000.00
2015/01/4/01/3303	PRINTER	8 000.00
		121 000.00

2020/02/4/01/0000	ROADS STREETS & DRAINS	
2020/02/4/01/3400	NEW BELL ENGINE	171 000.00
2020/02/4/01/3401	JACK HAMMER X3	68 400.00
2020/02/4/01/3402	TRAILER FOR SIT ON ROLLER	68 400.00
2020/02/4/01/3403	TRAILER FOR PEDESTRIAL ROLLER	57 000.00
2020/02/4/01/3404	CONCRETE MIXER	114 000.00
2020/02/4/01/3405	CONCRETE CURTER	91 200.00
2020/02/4/01/3406	DESK TOP COMPUTER X3	34 200.00
2020/02/4/01/3407	LAPTOP TOP X2	27 360.00
2020/02/4/01/3408	FAX MACHINE	3 420.00
2020/02/4/01/3409	GENERATOR X3	34 200.00
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2020/02/4/01/3411	DIESEL BOWER WITH HAND PUMP	57 000.00
		<u>771 780.00</u>
2025/02/4/01/0000	PUBLIC HEALTH ADMINISTRATION	
2025/02/4/01/4000	YOUTH CENTER	100 000.00
2025/02/4/01/4001	SEWER AND WATER RETICULATION FOR BULMAM	500 000.00
2025/02/4/01/4002	PAVING FOR THE WEMBEZI MULIPURPOSE	300 000.00
2025/02/4/01/4003	TRANSFER OF GRAIG FARM	800 000.00
2025/02/4/01/4004	FURNITURE & EQUIPMENT	50 000.00
2025/02/4/01/4005	FENCING FOR WEMBEZI FENCING	500 000.00
2025/02/4/01/4006	FENCING- MULTIPURPOSE	2 000 000.00
		<u>4 250 000.00</u>
2025/05/4/01/0000	CEMETERIES	
2025/05/4/01/4150	UPGRADE OF WEMBEZI CEMETRY	1 000 000.00
		1 000 000.00
2025/07/4/01/0000	LIBRARIES	
2025/07/4/01/4250	Library capitals	550 000.00
		<u>550 000.00</u>
2030/02/4/01/0000	ELECTRICITY RETICULATION	
2030/02/4/01/5000	CRANE TRUCK PURCHASE 20 TON	800 000.00
2030/02/4/01/5001	WESTERN PART CABLING BULK UPGRADE	1 000 000.00
2030/02/4/01/5002	REPLACE CIRCUIT BRAKERS	363 000.00
2030/02/4/01/5003	11 KV UPGRADE	1 200 000.00
2030/02/4/01/5004	STREET LIGHT	363 000.00
2030/02/4/01/5005	PROTECTION UPGRADE FOR SUBSTATION	363 000.00
2030/02/4/01/5006	REPLACE TRANSFORMER	0.00
2030/02/4/01/5007	UNDERTAKE STREET LIGHTS IMPROVEMENTS	363 000.00

2030/02/4/01/5008	SCADA SYSTEM	250 000.00
2030/02/4/01/5009	SUB STATION 13 UPGRADE	0.00
2030/02/4/01/5010	ELECTRICAL WORKSHOP WAREHOUSE BUILDING	2 000 000.00
2030/02/4/01/5011	PROTECTION UPGRADE FOR SUBSTATION	
2030/02/4/01/5012	TOOLS & EQUIPMENT	400 000.00
2030/02/4/01/5013	UNDER TAKE STREETLIGHT IMPROVEMENTS	200 000.00
2030/02/4/80/0003		
		<u>7 302 000.00</u>
3020/02/4/02/0000	CIVIL SERVICES	
3020/02/4/02/6002	MUNICIPAL INFRASTRUCTURE GRANT	17 289 000.00
		<u>17 289 000.00</u>
3025/02/4/02/0000	PLANNING & ECONOMIC COMM SERVICES	
3025/02/4/02/7001	WEMBEZI UPGRADE (NDPG ROLL OVER)	2 219 000.00
		<u>2 219 000.00</u>
3030/02/4/02/0000	ELECTRICITY RETICULATION	
3030/02/4/02/4001	ELECTRIFICATION PROJECTS (INEP IN KIND)	30 751 000.00
		<u>30 751 000.00</u>

1.6 Annual Budget tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. Each table is accompanied by explanatory notes.

Table 9 MBRR Table A1 - Budget Summary

KZN234 Umtshezi - Table A1 Consolidated Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands										
Financial Performance										
Property rates	39 977	40 393	43 704	48 949	53 950	53 950	53 950	57 244	60 740	64 450
Service charges	126 513	147 417	163 355	186 137	183 137	183 137	183 137	195 357	209 534	224 742
Investment revenue	-	-	-	500	733	733	733	530	562	596
Transfers recognised - operational	24 727	30 694	36 202	39 040	39 322	39 322	39 322	48 740	55 317	58 072
Other own revenue	8 387	10 636	10 233	8 887	10 712	10 712	10 712	9 912	10 507	11 137
Total Revenue (excluding capital transfers and contributions)	199 604	229 140	253 494	283 514	287 854	287 854	287 854	311 783	336 660	358 996
Employee costs	50 789	56 391	62 101	64 015	64 019	64 019	64 019	67 946	72 294	76 921
Remuneration of councillors	3 673	4 360	4 601	5 268	5 742	5 742	5 742	5 908	6 369	6 866
Depreciation & asset impairment	38 677	32 732	31 515	35 000	35 000	35 000	35 000	37 030	39 178	41 450
Finance charges	1 012	953	814	3 494	3 494	3 494	3 494	3 696	3 910	4 137
Materials and bulk purchases	95 724	122 016	138 188	151 303	149 303	149 303	149 303	160 844	173 540	187 244
Transfers and grants	21 569	25 843	1 165	7 069	7 069	7 069	7 069	7 479	7 913	8 372
Other expenditure	25 282	40 583	46 118	47 777	56 346	56 346	56 346	58 853	62 266	65 877
Total Expenditure	236 726	282 878	284 502	313 926	320 973	320 973	320 973	341 755	365 470	390 867
Surplus/(Deficit)	(37 122)	(53 739)	(31 008)	(30 412)	(33 118)	(33 118)	(33 118)	(29 972)	(28 810)	(31 871)
Transfers recognised - capital	20 321	15 811	30 691	23 161	41 086	41 086	41 086	50 259	49 959	55 463
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(16 801)	(37 927)	(317)	(7 251)	7 968	7 968	7 968	20 287	21 149	23 592
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(16 801)	(37 927)	(317)	(7 251)	7 968	7 968	7 968	20 287	21 149	23 592
Capital expenditure & funds sources										
Capital expenditure	32 385	24 459	29 875	39 671	57 596	57 596	57 596	67 725	71 654	75 809
Transfers recognised - capital	20 179	15 811	20 084	23 161	41 086	41 086	41 086	50 259	53 174	56 258
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	4 249	4 928	7 200	12 460	12 460	12 460	12 460	7 000	7 406	7 836
Internally generated funds	7 957	3 720	2 590	4 050	4 050	4 050	4 050	10 466	11 074	11 716
Total sources of capital funds	32 385	24 459	29 874	39 671	57 596	57 596	57 596	67 725	71 654	75 809
Financial position										
Total current assets	70 580	85 516	99 768	65 287	51 707	51 707	51 707	54 706	57 879	61 236
Total non current assets	641 681	631 847	630 076	659 686	659 686	659 686	659 686	697 948	738 429	781 258
Total current liabilities	37 402	49 405	58 603	49 466	35 886	35 886	35 886	37 967	40 169	42 499
Total non current liabilities	18 497	23 991	24 115	30 797	30 797	30 797	30 797	32 583	34 473	36 472
Community wealth/Equity	656 362	643 966	647 126	644 710	644 710	644 710	644 710	682 103	721 665	763 522
Cash flows										
Net cash from (used) operating	50 565	38 627	36 818	37 015	(1 813)	(1 813)	(1 813)	70 013	73 759	79 254
Net cash from (used) investing	(38 665)	(39 479)	(33 924)	(39 657)	(57 536)	(57 536)	(57 536)	(50 259)	(49 959)	(55 463)
Net cash from (used) financing	3 187	4 276	(2 737)	5 646	5 646	5 646	5 646	5 973	6 320	6 686
Cash/cash equivalents at the year end	9 942	13 366	13 523	15 482	(12 677)	(12 677)	(12 677)	25 727	55 847	86 324
Cash backing/surplus reconciliation										
Cash and investments available	15 640	35 811	41 130	16 778	2 081	2 081	2 081	2 202	2 329	2 465
Application of cash and investments	(32 932)	(14 486)	(7 582)	(18 687)	(25 004)	(25 004)	(25 004)	(36 679)	(38 806)	(41 057)
Balance - surplus (shortfall)	48 572	50 297	48 712	35 465	27 085	27 085	27 085	38 881	41 135	43 522
Asset management										
Asset register summary (WDV)	639 743	661 265	650 907	659 140	659 140	659 140	697 370	697 370	737 818	780 611
Depreciation & asset impairment	38 677	32 732	31 515	35 000	35 000	35 000	37 030	37 030	39 178	41 450
Renewal of Existing Assets	-	-	-	15 603	15 603	15 603	15 603	16 508	17 465	18 478
Repairs and Maintenance	43 414	52 596	-	63 695	63 695	63 695	67 389	67 389	71 298	75 433
Free services										
Cost of Free Basic Services provided	6 208	7 204	8 487	9 335	9 335	9 335	9 335	9 335	9 335	9 335
Revenue cost of free services provided	46 211	48 198	52 270	55 704	55 704	55 704	55 704	55 704	55 704	55 704
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	5	5	6	6	6	6	6	6	6	6

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF (but all efforts have been made to ensure that it is not a cash flow deficit)
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
4. The Cash backing/surplus reconciliation shows that the budget has been funded and that this situation is improving year on year resulting in increased working capital.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN234 Umtshezi - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		77 780	63 424	79 617	90 089	94 361	94 361	106 914	114 172	122 393
Executive and council		889	1 123	1 680	2 351	2 361	2 361	2 973	3 174	3 403
Budget and treasury office		76 729	62 223	77 914	87 460	91 701	91 701	103 624	110 659	118 627
Corporate services		162	78	23	278	299	299	317	339	363
<i>Community and public safety</i>		3 907	8 129	9 243	3 156	13 317	13 317	3 708	3 960	4 245
Community and social services		3 391	7 652	9 058	2 544	5 497	5 497	2 956	3 157	3 384
Sport and recreation		315	66	28	104	7 247	7 247	131	140	150
Public safety		201	411	157	508	573	573	620	662	710
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		11 797	22 664	27 557	20 293	21 851	21 851	23 658	25 264	27 084
Planning and development		-	7 270	7 263	-	-	-	-	-	-
Road transport		11 797	15 394	20 293	20 293	21 851	21 851	23 658	25 264	27 084
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		126 441	150 734	167 767	193 137	199 411	199 411	227 762	243 223	260 737
Electricity		122 343	147 965	162 414	187 083	199 411	199 411	220 282	235 236	252 175
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		4 098	2 769	5 353	6 054	-	-	7 479	7 987	8 562
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	219 925	244 951	284 185	306 675	328 940	328 940	362 042	386 619	414 459
Expenditure - Standard										
<i>Governance and administration</i>		36 036	55 217	79 410	72 042	76 612	76 612	82 486	88 210	94 340
Executive and council		10 266	12 522	16 529	6 617	19 309	19 309	20 510	21 933	23 458
Budget and treasury office		19 774	36 728	56 747	56 623	47 512	47 512	51 560	55 138	58 969
Corporate services		5 996	5 967	6 134	8 802	9 791	9 791	10 416	11 139	11 913
<i>Community and public safety</i>		19 726	32 241	35 695	40 039	33 214	33 214	37 762	40 383	43 189
Community and social services		10 318	21 068	24 845	27 911	19 653	19 653	23 788	25 439	27 206
Sport and recreation		4 615	5 645	4 891	5 876	5 016	5 016	6 527	6 980	7 465
Public safety		4 793	5 528	5 960	6 252	8 545	8 545	7 447	7 964	8 517
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		15 743	30 022	23 481	35 412	38 000	38 000	38 842	41 537	44 424
Planning and development		6 654	7 313	8 632	7 332	14 033	14 033	13 232	14 151	15 134
Road transport		9 089	22 709	14 849	28 080	23 967	23 967	25 610	27 387	29 290
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		165 207	165 029	145 682	166 096	165 505	165 505	182 103	194 739	208 271
Electricity		160 777	160 694	141 932	161 477	159 515	159 515	176 864	189 137	202 281
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		4 430	4 335	3 750	4 619	5 990	5 990	5 238	5 602	5 991
<i>Other</i>	4	14	369	234	338	572	572	562	601	643
Total Expenditure - Standard	3	236 726	282 878	284 502	313 926	313 904	313 904	341 755	365 470	390 867
Surplus/(Deficit) for the year		(16 801)	(37 927)	(317)	(7 251)	15 037	15 037	20 287	21 149	23 592

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Electricity function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Governance and Administration.

Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote	1									
Vote 1 - CORPORATE SERVICES		5 559	7 323	7 745	10 703	11 704	11 704	12 406	13 248	14 202
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-
Vote 3 - FINANCE DEPARTMENT		76 729	62 223	77 914	87 460	91 701	91 701	103 624	110 659	118 627
Vote 4 - CIVIL SERVICES		7 558	10 784	15 588	15 161	15 837	15 837	18 006	19 228	20 613
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		7 736	16 656	20 523	6 268	10 287	10 287	7 724	8 248	8 842
Vote 6 - ELECTRICAL SERVICES		122 343	147 965	162 414	187 083	199 411	199 411	220 282	235 236	252 175
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	219 925	244 951	284 185	306 675	328 940	328 940	362 042	386 619	414 459
Expenditure by Vote to be appropriated	1									
Vote 1 - CORPORATE SERVICES		23 057	25 894	29 155	23 537	38 772	38 772	41 500	44 379	47 463
Vote 2 - MUNICIPAL MANAGER		1 002	1 048	1 549	1 349	1 418	1 418	1 513	1 618	1 731
Vote 3 - FINANCE DEPARTMENT		19 774	36 728	56 747	56 623	47 512	47 512	51 560	55 138	58 969
Vote 4 - CIVIL SERVICES		7 813	20 695	12 705	25 966	21 486	21 486	22 964	24 557	26 264
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		24 303	37 819	42 414	44 975	45 200	45 200	47 354	50 640	54 159
Vote 6 - ELECTRICAL SERVICES		160 777	160 694	141 932	161 477	159 515	159 515	176 864	189 137	202 281
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	236 726	282 878	284 502	313 926	313 904	313 904	341 755	365 470	390 867
Surplus/(Deficit) for the year	2	(16 801)	(37 927)	(317)	(7 251)	15 037	15 037	20 287	21 149	23 592

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	33 738	35 131	38 106	43 102	48 103	48 103	48 103	51 047	54 171	57 486
Property rates - penalties & collection charges		6 239	5 262	5 598	5 847	5 847	5 847	5 847	6 198	6 570	6 964
Service charges - electricity revenue	2	121 165	141 629	158 001	179 083	176 083	176 083	176 083	188 937	202 730	217 529
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	5 348	5 788	5 353	7 054	7 054	7 054	7 054	6 420	6 805	7 213
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		408	435	387	233	309	309	309	246	261	277
Interest earned - external investments		-	-	-	500	733	733	733	530	562	596
Interest earned - outstanding debtors		1 069	1 729	2 261	277	380	380	380	294	312	330
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		201	196	46	316	267	267	267	283	300	318
Licences and permits		4 239	4 687	4 705	5 132	5 814	5 814	5 814	5 440	5 767	6 113
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		24 727	30 694	36 202	39 040	39 322	39 322	39 322	48 740	55 317	58 072
Other revenue	2	2 469	3 588	2 833	2 928	3 942	3 942	3 942	3 649	3 868	4 100
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		199 604	229 140	253 494	283 514	287 854	287 854	287 854	311 783	336 660	358 996
Expenditure By Type											
Employee related costs	2	50 789	56 391	62 101	64 015	64 019	64 019	64 019	67 946	72 294	76 921
Remuneration of councillors		3 673	4 360	4 601	5 268	5 742	5 742	5 742	5 908	6 369	6 866
Debt impairment	3	2 789	12 882	6 460	12 000	12 000	12 000	12 000	12 696	13 432	14 211
Depreciation & asset impairment	2	38 677	32 732	31 515	35 000	35 000	35 000	35 000	37 030	39 178	41 450
Finance charges		1 012	953	814	3 494	3 494	3 494	3 494	3 696	3 910	4 137
Bulk purchases	2	92 582	113 864	129 227	139 875	137 875	137 875	137 875	148 988	160 996	173 973
Other materials	8	3 142	8 152	8 961	11 428	11 428	11 428	11 428	11 856	12 544	13 271
Contracted services		2 987	3 997	11 223	8 800	10 300	10 300	10 300	10 906	11 539	12 208
Transfers and grants		21 569	25 843	1 165	7 069	7 069	7 069	7 069	7 479	7 913	8 372
Other expenditure	4, 5	19 473	23 701	27 590	26 977	34 046	34 046	34 046	35 251	37 295	39 458
Loss on disposal of PPE		33	2	845	-	-	-	-	-	-	-
Total Expenditure		236 726	282 878	284 502	313 926	320 973	320 973	320 973	341 755	365 470	390 867
Surplus/(Deficit)											
Transfers recognised - capital		(37 122)	(53 739)	(31 008)	(30 412)	(33 118)	(33 118)	(33 118)	(29 972)	(28 810)	(31 871)
Contributions recognised - capital	6	20 321	15 811	30 691	23 161	41 086	41 086	41 086	50 259	49 959	55 463
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(16 801)	(37 927)	(317)	(7 251)	7 968	7 968	7 968	20 287	21 149	23 592
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		(16 801)	(37 927)	(317)	(7 251)	7 968	7 968	7 968	20 287	21 149	23 592
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(16 801)	(37 927)	(317)	(7 251)	7 968	7 968	7 968	20 287	21 149	23 592
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		(16 801)	(37 927)	(317)	(7 251)	7 968	7 968	7 968	20 287	21 149	23 592

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R283.514 million in 2013/14 and escalates to R342.966 million by 2014/15. This represents a year-on-year increase of 9.17 percent for the 2013/14 financial year and 8.75 percent for the 2014/15 financial year.
2. Revenue to be generated from property rates is R43 million in the 2013/14 financial year and increases to R47 million by 2015/16 which represents 15.20 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5 per cent for 2013/2014 and 5% for each of the respective outer financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R179 million for the 2013/14 financial year and increasing to R213 million by 2015/16. For the 2013/14 financial year services charges amount to 63 percent of the total revenue. This growth can mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF.
5. Bulk purchases have significantly increased over the 2009/10 to 2015/16 period escalating from R74 million to R166 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCE DEPARTMENT		-	-	-	-	-	-	-	-	-	-
Vote 4 - CIVIL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - ELECTRICAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - CORPORATE SERVICES		953	814	273	498	498	498	498	4 022	4 255	4 502
Vote 2 - MUNICIPAL MANAGER		-	3	-	-	-	-	-	-	-	-
Vote 3 - FINANCE DEPARTMENT		335	50	-	55	55	55	55	121	128	135
Vote 4 - CIVIL SERVICES		9 528	8 279	28 722	25 307	31 307	31 307	31 307	18 061	19 108	20 217
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		18 794	10 857	879	3 511	5 236	5 236	5 236	7 469	7 902	8 361
Vote 6 - ELECTRICAL SERVICES		2 775	4 456	-	10 300	20 500	20 500	20 500	38 053	40 260	42 595
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		32 385	24 459	29 874	39 671	57 596	57 596	57 596	67 725	71 654	75 809
Total Capital Expenditure - Vote		32 385	24 459	29 874	39 671	57 596	57 596	57 596	67 725	71 654	75 809
Capital Expenditure - Standard											
Governance and administration		1 288	774	273	553	553	553	553	4 143	4 383	4 637
Executive and council		-	-	-	498	498	498	498	216	229	242
Budget and treasury office		335	50	-	55	55	55	55	121	128	135
Corporate services		953	724	273	-	-	-	-	3 806	4 026	4 260
Community and public safety		4 692	4 692	649	-	1 725	1 725	1 725	7 469	7 902	8 361
Community and social services		-	4 682	649	-	-	-	-	7 469	7 902	8 361
Sport and recreation		72	-	-	-	1 725	1 725	1 725	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		4 620	-	-	-	-	-	-	-	-	-
Health		-	10	-	-	-	-	-	-	-	-
Economic and environmental services		22 055	12 447	28 953	28 818	34 818	34 818	34 818	18 061	19 108	20 217
Planning and development		12 526	4 168	230	3 511	3 511	3 511	3 511	-	-	-
Road transport		9 529	8 279	28 722	25 307	31 307	31 307	31 307	18 061	19 108	20 217
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		4 350	6 546	-	10 300	20 500	20 500	20 500	38 053	40 260	42 595
Electricity		2 775	6 456	-	10 300	20 500	20 500	20 500	38 053	40 260	42 595
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		1 575	90	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	32 385	24 459	29 875	39 671	57 596	57 596	57 596	67 725	71 654	75 809
Funded by:											
National Government		-	-	10 209	23 161	27 361	27 361	27 361	50 259	53 174	56 258
Provincial Government		20 179	15 811	9 875	-	13 725	13 725	13 725	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	20 179	15 811	20 084	23 161	41 086	41 086	41 086	50 259	53 174	56 258
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	4 249	4 928	7 200	12 460	12 460	12 460	12 460	7 000	7 406	7 836
Internally generated funds		7 957	3 720	2 590	4 050	4 050	4 050	4 050	10 466	11 074	11 716
Total Capital Funding	7	32 385	24 459	29 874	39 671	57 596	57 596	57 596	67 725	71 654	75 809

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. No multi-year appropriations have been budgeted for.
3. Single-year capital expenditure has been appropriated at R44 million for the 2013/14 financial year and remains relatively constant over the MTREF at levels of R23 million and R23 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers and external borrowings. For 2013/14, capital transfers totals R27.161 million.

Table 14 MBRR Table A6 - Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
ASSETS											
Current assets											
Cash		9 942	13 366	13 523	15 482	1 565	1 565	1 565	1 656	1 752	1 853
Call investment deposits	1	5 599	22 347	27 503	1 200	420	420	420	444	470	497
Consumer debtors	1	45 501	36 235	43 112	47 929	47 929	47 929	47 929	50 709	53 650	56 762
Other debtors		8 781	12 833	13 588	305	305	305	305	323	341	361
Current portion of long-term receivables		222	184	555	–	–	–	–	–	–	–
Inventory	2	534	550	1 488	371	1 488	1 488	1 488	1 574	1 666	1 762
Total current assets		70 580	85 516	99 768	65 287	51 707	51 707	51 707	54 706	57 879	61 236
Non current assets											
Long-term receivables		1 421	722	–	450	450	450	450	476	504	533
Investments		98	98	103	96	96	96	96	102	107	114
Investment property		–	–	–	–	–	–	–	–	–	–
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	637 711	629 613	621 290	659 140	659 140	659 140	659 140	697 370	737 818	780 611
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		170	186	438	–	–	–	–	–	–	–
Other non-current assets		2 281	1 228	8 245	–	–	–	–	–	–	–
Total non current assets		641 681	631 847	630 076	659 686	659 686	659 686	659 686	697 948	738 429	781 258
TOTAL ASSETS		712 261	717 363	729 844	724 973	711 393	711 393	711 393	752 654	796 308	842 494
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	1 764	1 825	534	8 615	8 615	8 615	8 615	9 115	9 643	10 203
Consumer deposits		2 398	2 620	2 845	2 650	2 650	2 650	2 650	2 804	2 966	3 138
Trade and other payables	4	23 683	36 460	47 976	27 596	14 016	14 016	14 016	14 829	15 689	16 599
Provisions		9 557	8 500	7 249	10 605	10 605	10 605	10 605	11 220	11 871	12 559
Total current liabilities		37 402	49 405	58 603	49 466	35 886	35 886	35 886	37 967	40 169	42 499
Non current liabilities											
Borrowing		8 135	12 350	9 974	30 797	30 797	30 797	30 797	32 583	34 473	36 472
Provisions		10 362	11 641	14 141	–	–	–	–	–	–	–
Total non current liabilities		18 497	23 991	24 115	30 797	30 797	30 797	30 797	32 583	34 473	36 472
TOTAL LIABILITIES		55 899	73 396	82 718	80 263	66 683	66 683	66 683	70 551	74 643	78 972
NET ASSETS	5	656 362	643 966	647 126	644 710	644 710	644 710	644 710	682 103	721 665	763 522
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		655 267	642 871	646 031	643 615	643 615	643 615	643 615	680 945	720 439	762 225
Reserves	4	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 159	1 226	1 297
Minorities' interests		–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	656 362	643 966	647 126	644 710	644 710	644 710	644 710	682 103	721 665	763 522

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 14 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 15 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		177 739	203 053	212 917	231 943	198 611	198 611	198 611	262 513	280 781	300 329
Government - operating	1	24 727	30 327	34 159	39 040	39 322	39 322	39 322	48 740	55 317	58 072
Government - capital	1	20 322	29 830	35 030	23 161	26 425	26 425	26 425	50 259	49 959	55 463
Interest		1 069	1 729	2 261	777	733	733	733	530	562	596
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(172 280)	(225 358)	(246 735)	(254 412)	(263 410)	(263 410)	(263 410)	(288 333)	(308 950)	(331 068)
Finance charges		(1 012)	(953)	(814)	(3 494)	(3 494)	(3 494)	(3 494)	(3 696)	(3 910)	(4 137)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		50 565	38 627	36 818	37 015	(1 813)	(1 813)	(1 813)	70 013	73 759	79 254
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	252	1 072	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	352	60	60	60	60	-	-	-
Decrease (Increase) other non-current receivables		(837)	1 552	(310)	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments		(5 443)	(16 746)	(5 162)	(46)	-	-	-	-	-	-
Payments											
Capital assets		(32 385)	(24 537)	(29 875)	(39 671)	(57 596)	(57 596)	(57 596)	(50 259)	(49 959)	(55 463)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(38 665)	(39 479)	(33 924)	(39 657)	(57 536)	(57 536)	(57 536)	(50 259)	(49 959)	(55 463)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	(864)	-	-	-	-	-	-	-
Borrowing long term/refinancing		4 248	5 040	(1 873)	12 460	12 460	12 460	12 460	13 183	13 947	14 756
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(1 061)	(764)	-	(6 814)	(6 814)	(6 814)	(6 814)	(7 209)	(7 627)	(8 070)
NET CASH FROM/(USED) FINANCING ACTIVITIES		3 187	4 276	(2 737)	5 646	5 646	5 646	5 646	5 973	6 320	6 686
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	15 088	3 424	157	3 004	(53 703)	(53 703)	(53 703)	25 727	30 120	30 477
Cash/cash equivalents at the year end:	2	(5 146)	9 942	13 366	12 478	41 026	41 026	41 026	-	25 727	55 847
		9 942	13 366	13 523	15 482	(12 677)	(12 677)	(12 677)	25 727	55 847	86 324

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The 2014/15 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
4. Cash and cash equivalents totals R25.727 million as at the end of the 2014/15 financial year and escalates to R86.324 million by 2016/17.

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	9 942	13 366	13 523	15 482	(12 677)	(12 677)	(12 677)	25 727	55 847	86 324
Other current investments > 90 days		5 600	22 347	27 503	1 200	14 662	14 662	14 662	(23 627)	(53 625)	(83 973)
Non current assets - Investments	1	98	98	103	96	96	96	96	102	107	114
Cash and investments available:		15 640	35 811	41 130	16 778	2 081	2 081	2 081	2 202	2 329	2 465
Application of cash and investments											
Unspent conditional transfers		2 393	16 045	16 841	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(35 325)	(30 530)	(24 423)	(18 687)	(25 004)	(25 004)	(25 004)	(36 679)	(38 806)	(41 057)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		(32 932)	(14 486)	(7 582)	(18 687)	(25 004)	(25 004)	(25 004)	(36 679)	(38 806)	(41 057)
Surplus(shortfall)		48 572	50 297	48 712	35 465	27 085	27 085	27 085	38 881	41 135	43 522

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the proposed 2014/15 MTREF was sufficiently funded owing to the increased reserves.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget was funded and aligned to section 18 of the MFMA.

KZN234 Umtshezi - Table A9 Consolidated Asset Management

KZN234 UnitShen - Table A7 Consolidated Asset Management										
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	32 385	39 111	–	24 068	34 295	34 295	36 284	38 389	40 615
Infrastructure - Road transport		9 529	8 279	–	9 704	9 704	9 704	10 267	10 862	11 492
Infrastructure - Electricity		2 775	10 456	–	10 300	20 500	20 500	21 689	22 947	24 278
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		12 304	18 735	–	20 004	30 204	30 204	31 956	33 809	35 770
Community		13 319	5 128	–	3 661	3 688	3 688	3 902	4 128	4 368
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		4 620	13 682	–	–	–	–	–	–	–
Other assets	6	1 972	1 566	–	403	403	403	426	451	477
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		170	–	–	–	–	–	–	–	–
<u>Total Renewal of Existing Assets</u>	2	–	–	–	15 603	15 603	15 603	16 508	17 465	18 478
Infrastructure - Road transport		–	–	–	15 603	15 603	15 603	16 508	17 465	18 478
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	15 603	15 603	15 603	16 508	17 465	18 478
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	–	–	–	–	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
<u>Total Capital Expenditure</u>	4	–	–	–	–	–	–	–	–	–
Infrastructure - Road transport		9 529	8 279	–	25 307	25 307	25 307	26 775	28 328	29 971
Infrastructure - Electricity		2 775	10 456	–	10 300	20 500	20 500	21 689	22 947	24 278
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		12 304	18 735	–	35 607	45 807	45 807	48 464	51 275	54 249
Community		13 319	5 128	–	3 661	3 688	3 688	3 902	4 128	4 368
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		4 620	13 682	–	–	–	–	–	–	–
Other assets		1 972	1 566	–	403	403	403	426	451	477
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		170	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	32 385	39 111	–	39 671	49 898	49 898	52 792	55 854	59 094
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5	221 110	229 389	242 138	249 744	249 744	249 744	264 229	279 554	295 769
Infrastructure - Electricity		57 848	68 304	83 645	83 138	83 138	83 138	87 960	93 062	98 459
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		200	–	–	–	–	–	–	–	–
Infrastructure - Other		9 322	20 142	20 542	20 417	20 417	20 417	21 601	22 854	24 180
Infrastructure		288 480	317 835	346 325	353 299	353 299	353 299	373 790	395 470	418 407
Community		13 319	22 517	22 517	22 381	22 381	22 381	23 679	25 052	26 506
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		337 774	320 727	281 627	283 460	283 460	283 460	299 901	317 295	335 698
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		170	186	438	–	–	–	–	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	639 743	661 265	650 907	659 140	659 140	659 140	697 370	737 818	780 611
EXPENDITURE OTHER ITEMS										
<u>Depreciation & asset impairment</u>	3	38 677	32 732	31 515	35 000	35 000	35 000	37 030	39 178	41 450
<u>Repairs and Maintenance by Asset Class</u>		43 414	52 596	–	63 695	63 695	63 695	67 389	71 298	75 433
Infrastructure - Road transport		10 355	12 904	–	7 499	7 499	7 499	7 934	8 394	8 881
Infrastructure - Electricity		11 025	12 188	–	5 298	5 298	5 298	5 605	5 930	6 274
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		203	–	–	–	–	–	–	–	–
Infrastructure		21 583	25 092	–	12 797	12 797	12 797	13 539	14 325	15 155
Community		10 545	11 727	–	1 034	1 034	1 034	1 094	1 157	1 225
Heritage assets		8 963	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	32
Other assets	6, 7	2 323	15 777	–	49 864	49 864	49 864	52 756	55 816	59 053
TOTAL EXPENDITURE OTHER ITEMS		82 091	85 328	31 515	98 695	98 695	98 695	104 419	110 476	116 883
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	39.3%	31.3%	31.3%	31.3%	31.3%	31.3%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	44.6%	44.6%	44.6%	44.6%	44.6%	44.6%
R&M as a % of PPE		6.8%	8.4%	0.0%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%
Renewal and R&M as a % of PPE		7.0%	8.0%	0.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%

Table 16C MBRR Table A10 – Consolidated Basic Service Delivery Measurement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets	1									
Water:										
Piped water inside dwelling		-	-	-	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)		-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	2	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		-	-	-	-	-	-	-	-	-
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Energy:										
Electricity (at least min.service level)		5 000	5 000	5 500	6 050	6 050	6 050	6 050	6 050	6 050
Electricity - prepaid (min.service level)		8 000	8 000	8 500	9 350	9 350	9 350	9 350	9 350	9 350
<i>Minimum Service Level and Above sub-total</i>		13 000	13 000	14 000	15 400	15 400	15 400	15 400	15 400	15 400
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	13 000	13 000	14 000	15 400	15 400	15 400	15 400	15 400	15 400
Refuse:										
Removed at least once a week		8 000	8 000	8 500	9 350	9 350	9 350	9 350	9 350	9 350
<i>Minimum Service Level and Above sub-total</i>		8 000	8 000	8 500	9 350	9 350	9 350	9 350	9 350	9 350
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		5 000	5 000	5 500	6 050	6 050	6 050	6 050	6 050	6 050
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		5 000	5 000	5 500	6 050	6 050	6 050	6 050	6 050	6 050
Total number of households	5	13 000	13 000	14 000	15 400	15 400	15 400	15 400	15 400	15 400
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		5 000	5 000	5 500	6 050	6 050	6 050	6 050	6 050	6 050
Refuse (removed at least once a week)		5 000	5 000	5 500	6 050	6 050	6 050	6 050	6 050	6 050
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		3 670	4 514	5 636	6 199	6 199	6 199	6 199	6 199	6 199
Refuse (removed once a week)		2 538	2 690	2 851	3 136	3 136	3 136	3 136	3 136	3 136
Total cost of FBS provided (minimum social package)		6 208	7 204	8 487	9 335	9 335	9 335	9 335	9 335	9 335
Highest level of free service provided										
Property rates (R value threshold)		30 000	300 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000
Water (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		-	-	-	-	-	-	-	-	-
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		250 000	250 000	275 000	302 500	302 500	302 500	302 500	302 500	302 500
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)		12 388	13 379	14 182	15 600	15 600	15 600	15 600	15 600	15 600
Property rates (other exemptions, reductions and rebates)		27 615	27 615	29 601	31 081	31 081	31 081	31 081	31 081	31 081
Water		-	-	-	-	-	-	-	-	-
Sanitation		-	-	-	-	-	-	-	-	-
Electricity/other energy		3 670	4 514	5 636	6 030	6 030	6 030	6 030	6 030	6 030
Refuse		2 538	2 690	2 851	2 993	2 993	2 993	2 993	2 993	2 993
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total revenue cost of free services provided (total social package)	6	46 211	48 198	52 270	55 704	55 704	55 704	55 704	55 704	55 704

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Household service targets	1									
Water:										
Piped water inside dwelling	2									
Piped water inside yard (but not in dwelling)	4									
Using public tap (at least min.service level)										
Other water supply (at least min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:										
Flush toilet (connected to sewerage)										
Flush toilet (with septic tank)										
Chemical toilet										
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Energy:										
Electricity (at least min.service level)		5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,500	5,500
Electricity - prepaid (min.service level)		8,000	8,000	8,000	8,500	8,500	8,500	8,500	8,500	8,500
<i>Minimum Service Level and Above sub-total</i>		13,000	13,000	13,000	14,000	14,000	14,000	14,000	14,000	14,000
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	13,000	13,000	13,000	14,000	14,000	14,000	14,000	14,000	14,000
Refuse:										
Removed at least once a week		8,000	8,000	8,000	8,500	8,500	8,500	8,500	8,500	8,500
<i>Minimum Service Level and Above sub-total</i>		8,000	8,000	8,000	8,500	8,500	8,500	8,500	8,500	8,500
Removed less frequently than once a week										
Using communal refuse dump		5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,500	5,500
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
<i>Below Minimum Service Level sub-total</i>		5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,500	5,500
Total number of households	5	13,000	13,000	13,000	14,000	14,000	14,000	14,000	14,000	14,000
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)										
Sanitation (free minimum level service)										
Electricity/other energy (50kwh per household per month)		5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,500	5,500
Refuse (removed at least once a week)		5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,500	5,500
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)										
Sanitation (free sanitation service)										
Electricity/other energy (50kwh per household per month)		2,866	3,670	4,514	5,636	5,636	5,636	5,636	5,636	5,636
Refuse (removed once a week)		2,014	2,538	2,690	2,851	2,851	2,851	2,851	2,851	2,851
Total cost of FBS provided (minimum social package)		4,880	6,208	7,204	8,487	8,487	8,487	8,487	8,487	8,487
Highest level of free service provided										
Property rates (R value threshold)		-	30,000	300,000	30,000	30,000	30,000	30,000	30,000	30,000
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		250,000	250,000	250,000	275,000	275,000	275,000	275,000	275,000	275,000
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)		11,617	12,388	13,379	14,182	14,182	14,182	14,182	14,182	14,182
Property rates (other exemptions, reductions and rebates)		11,291	27,615	27,615	29,601	29,601	29,601	29,601	29,601	29,601
Water										
Sanitation										
Electricity/other energy		2,866	3,670	4,514	5,636	5,636	5,636	5,636	5,636	5,636
Refuse		2,014	2,538	2,690	2,851	2,851	2,851	2,851	2,851	2,851
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of free services provided (total social package)	6	27,788	46,211	48,198	52,270	52,270	52,270	52,270	52,270	52,270

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

1.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule in August 2012. Key dates applicable to the process were:

- **December 2013** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **25 January 2014** - Council considers the 2013/14 Mid-year Review
- **28 February 2014** – Council considers Adjustments Budget 2013/14;
- **27 March 2014** - Tabling in Council of the draft 2013/14 IDP and 2014/15 MTREF for public consultation;
- **March 2014** – Public consultation;
- **1 April 2014** - Closing date for submission of comments and inputs
- **31 May 2014** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

1.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and

- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/15 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 70, 59 and 66 has been taken into consideration in the planning and prioritisation process.

1.1.4 Community Consultation

The draft 2014/15 MTREF will tabled before Council on the 27th of March 2014. Thereafter, the draft budget was made available on the municipal website, municipal offices and libraries in order to invite the public to submit their comments on the proposed budget. Community meetings will be held to obtain comments from the public.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the Municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Provide Municipality planning services; and
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective Municipality cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure that the Municipality achieves set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

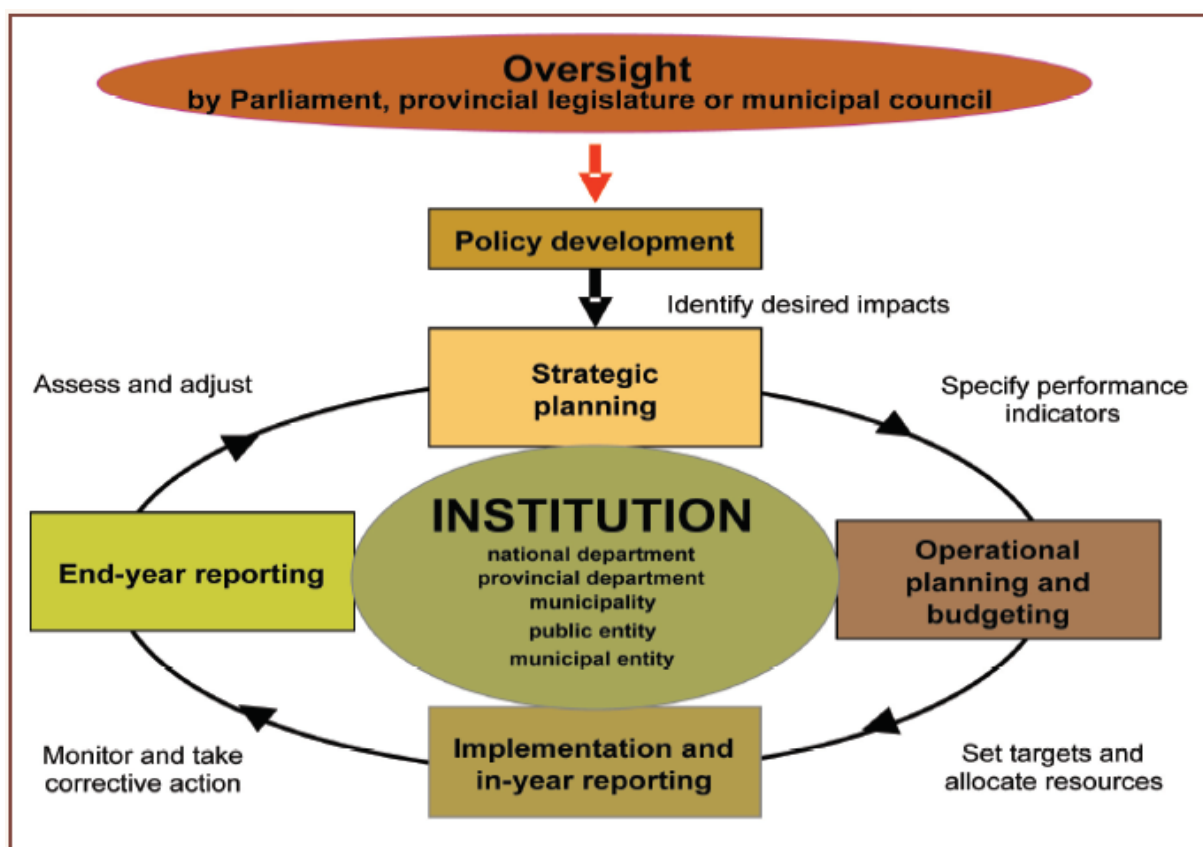


Figure 1 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Debt Collection Policy as approved by Council has been reviewed. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2013/14 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and

maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in May 2012. No further amendments have been made to the policy.

2.4.4 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was last reviewed by Council in May 2012 in respect of both Operating and Capital Budget Fund Transfers. No changes have been made to this policy.

2.4.5 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was reviewed by Council in May 2012. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.5 Overview of budget assumptions

2.5.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration.

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, the 2014/15 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2015/16 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.5.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 95 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.6 Salary increases

Salary increases were budgeted at 6.8%.

2.5.7 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

The proposed tariff increases for the 2014/15 MTREF on the different revenue categories are:

Table 25: Proposed Tariff Increases for the 2013/14 MTREF

Description	Percentage
Electricity	7.39%
Refuse	6%
Other	6%

2.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

2.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

The following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

2.6.4

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

2.6.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a

minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

2.6.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made.

2.6.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

2.6.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective.

2.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

2.6.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget

2.6.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

2.6.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position.

2.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance

2.6.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.4.11 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

2.6.4.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.6.4.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.7 Annual budgets and SDBIPs

The service delivery and budget implementation plans have been drafted and are aligned to the IDP, Balanced Scorecard, Performance Agreements and Budget. This will be finalized by June 2014.

2.8 Contracts having future budgetary implications

There are no contracts having future budgetary implications.

2.9 Legislative compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. .
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detailed SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014 directly aligned and informed by the 2015/16 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format has been completed by municipal staff.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.10 Municipal manager's quality certificate

I, Ms PN Njoko, Municipal Manager of Umtshezi Municipality, hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name

Ms PN Njoko

Municipal manager of Umtshezi Municipality (KZN234)

Signature

[Handwritten Signature]

Date

28 March 2014